

SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0320
BAR NO. 1895

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
AVISTA CORPORATION DBA AVISTA)	CASE NO. AVU-E-01-10
UTILITIES—WASHINGTON WATER POWER)	
DIVISION (IDAHO) FOR AN ORDER)	
APPROVING PROPOSED REVISIONS TO)	COMMENTS OF THE
ELECTRIC LINE EXTENSION SCHEDULE 51.)	COMMISSION STAFF
)	
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on June 19, 2001, submits the following comments.

On June 5, 2001, Avista corporation dba Avista Corporation dba Avista Utilities—Washington Water Power Division, Idaho (Avista; Company), filed an Application with the Idaho Public Utilities Commission (Commission) for an Order approving proposed revisions to the Company's Electric Line Extension Schedule 51 tariff.

As reflected in its Application, the Company states that the Commission on May 4, 2001, approved tariff changes to Schedule 51 requiring that updated costs associated with the installation of line extensions be filed annually. The newly enacted changes reflect a significant increase in costs experienced during the past year. The effect of the increased costs as they apply to

residential developments, the Company states, is substantial. In fact, the Company states that it will no longer be in a position to compete for service to residential developments when the developer has a choice of service providers. For each development that the Company loses to another service provider, the Company states, it then becomes “locked out” of providing service to adjacent future developments under the (closest to) rules of the Electric Supplier Stabilization Act.

To address this competitive disadvantage, and to have a reasonable opportunity to compete for service to new competitive developments in the future, Avista proposes to collect the non-refundable cash payment, in the present amount of \$305 from the builder rather than the developer. The cash requirement would be collected from the builder at the time the service to the home is installed. Whether this amount is collected from the developer or the builder, the Company reasons, the cost ultimately flows through to the homebuyer. In order to ensure payment if the home is never built, the amount of the promissory note or credit instrument required from the developer would be increased by \$305 per lot, from \$550 to \$855 per lot. Therefore, if the developer provides the ditching for the primary service and an appropriate credit instrument for \$855 per lot, a non-refundable cash payment would not be required. However, if Avista provides ditching within the development, a cash payment of \$280 per lot would still be required from the developer, in addition to a credit instrument for \$855 per lot.

Under the Company’s present accounting procedure, the non-refundable cash payment that is received from the developer is credited against the cost of the electric plant installed to serve the development. In order for the proposed change to have no effect on other customers’ rates in the future, the Company states that it will continue to credit electric plant when the primary service is run to the development and, instead of recording the receipt of cash from the developer, it would record an account receivable to be collected from the builder. As previously stated, the promissory note required from the developer would be increased by \$305 per lot in the event that the home(s) is never built.

STAFF ANALYSIS

This proposal by Avista would not change the total amount collected by the Company for each new residential line extension. It would, however, shift a portion of the amount collected from the developer of the subdivision to the builder on each individual lot. Under the proposed change, if the subdivision developer provides the ditching, he would only be required to provide a

refundable cash payment, promissory note or other credit instrument which would be fully refunded if the lot is sold and a home is built. The effect of the change would be that developers who provide their own ditching would make no net investment in the electrical facilities within the subdivisions. Instead, builders within the subdivision would now be required to make a non-refundable payment that they were not required to pay before.

As long as the total amount collected by Avista for the subdivision as a whole does not change, Staff is indifferent as to whether the amounts are collected from the developer or the builder. In either case, the costs are ultimately borne by the new homeowner. The amounts to be collected were established in Case No. AVU-E-00-1 and were intended to reflect amounts that would not cause new customers to put upward pressure on rates. Under the proposed change, developers will still be held accountable for paying line extension costs if lots are not sold, thus relieving Avista and its ratepayers of bearing the costs of plant that generates no revenue.

In its application, Avista cites its current inability to compete with Kootenai Electric as the reason for seeking the change. Staff notes that in Case No. AVU-E-00-1 the Company sought to increase the amount of its line extension allowance, again citing its desire to compete with Kootenai Electric to acquire new customers. In denying the increase in allowance, the Commission stated, "It is unreasonable to implement an allowance that may put increased pressure on the rates for all customers. There is no benefit to adding additional customers if their addition causes rates to increase." Reference Order No. 28562 at page 7. Staff acknowledges that the proposed change, if approved, would enhance Avista's ability to compete without negatively impacting existing customers. However, Staff wishes to remind the Company that it must remain vigilant in carefully considering whether the addition of new customers is indeed beneficial (or at least not detrimental) to existing ratepayers.

STAFF RECOMMENDATIONS

Staff recommends that the Commission approve the proposed changes to Schedule 51. The changes would not affect existing ratepayers, but would enhance Avista's ability to attract customers in new subdivisions.

Respectively submitted this day of July 2001.

Scott Woodbury
Deputy Attorney General

Technical Staff: Rick Sterling

SW:RPS:jo:i:umisc/comments/avue01.10swrps